

CONGRESSIONAL REPORT URGES IMPROVED RELATIONS WITH SOVIET BLOC NATION  
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WASHINGTON

The Soviet Union's hard line on the debts and other economic problems of its Eastern European allies is providing the West with a chance to increase its influence in the region, the chairman of the Joint Economic Committee of Congress said today.

To take advantage of the situation, the Reagan administration should "become more flexible in its policies ... by improving economic relations with countries that are adopting liberal economic reforms or improving their record on human rights," Rep. David R. Obey, D-Wis., said.

Obey's comments were in a two-volume report on Eastern European economic studies by experts from the Central Intelligence Agency, the Library of Congress and other government and private organizations.

The six Soviet bloc countries and Yugoslavia all face a future of sluggish economic growth and austerity, the report said.

In all seven, "difficult decisions will have to be made on how to allocate the slowly growing supply of resources among pressing claimants. Consumer demand may be especially difficult to meet, despite the need for rising per capita consumption to provide incentives and ensure political stability. ..."

"The Soviets are demanding an end to East European trade deficits with the U.S.S.R. and repayment of existing debts," Obey said, adding that the Eastern European satellites no longer receive cheap Soviet oil and now must pay higher prices than the depressed world market level.

Urging a more flexible U.S. policy, Obey said, "It is ridiculous for us to be normalizing trade with the Soviets and not with the East Europeans."

"Why should U.S. economic policies be more lenient toward the Soviet Union than toward Poland?" he asked. "Does it make sense for U.S. policies toward East Germany to be harsher than West Germany's policies toward East Germany?"

Obey also said the United States should be "doing more to encourage the Hungarian (economic) reform movement." The report described Hungary as "the most efficient economy" in the region.